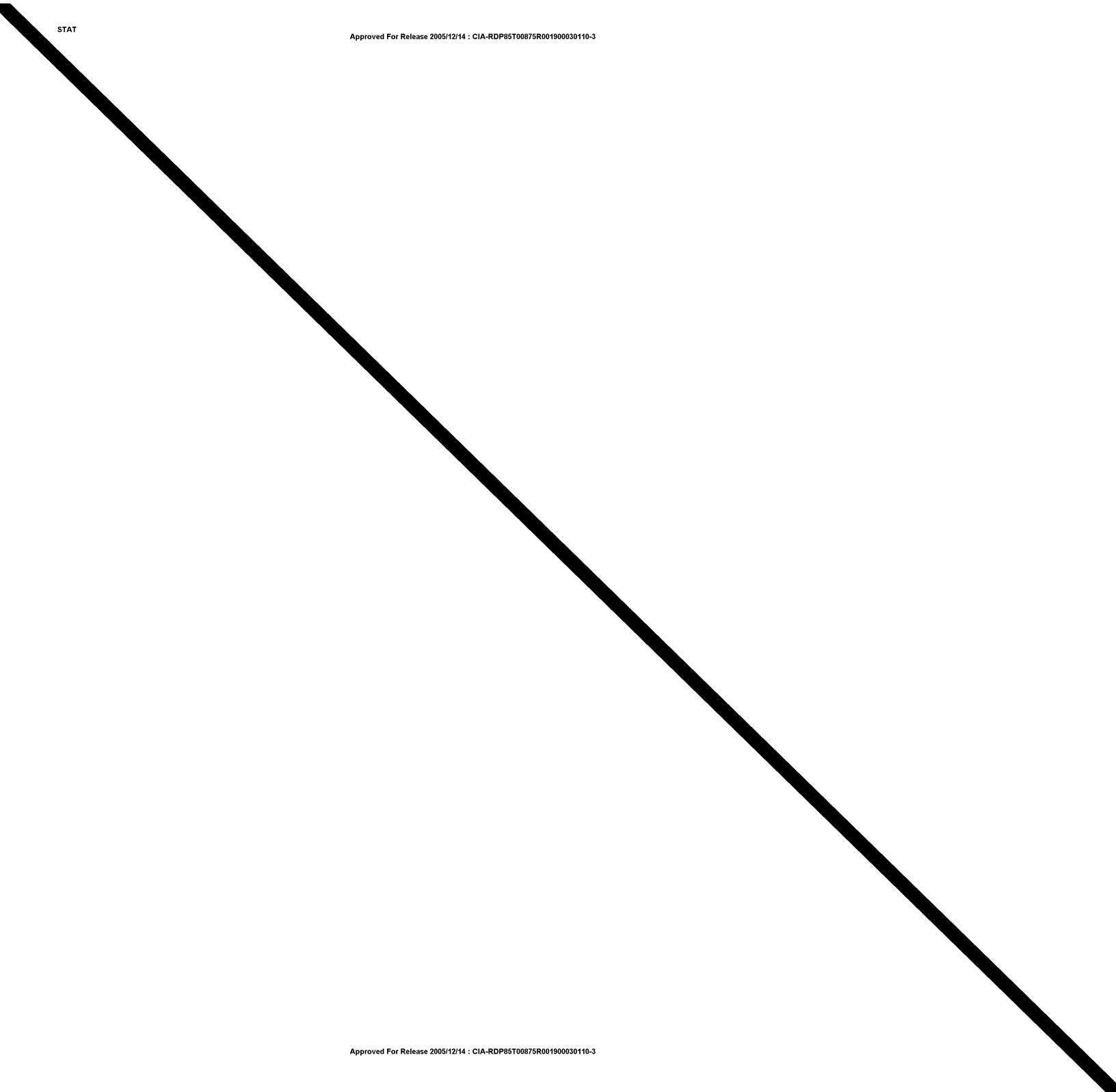

CIA/OER/S-06501-74 S-6501

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26 September 1974

MEMORANDUM FOR: Richard Reidinger
FDCD/ERS
Department of Agriculture

SUBJECT : Comments on USDA Report, The World Fertilizer Situation, 1975, 1976 and 1980

1. Attached, in response to your request of 17 August, are comments on USDA report, The World Fertilizer Situation, 1975, 1976, and 1980. We agree in general with the conclusions of this report but are forwarding comments on several points which we feel require clarification.

2. If we can be of further assistance on this or any related matter, please contact me on extension [redacted] STAT

On file Department of Agriculture release instructions apply.

[redacted] STAT

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Attachment:
as stated

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ATTACHMENT

Reference page 1: We suggest that footnote 1 be deleted. The text states that potash supplies should respond to the market as needed. The footnote states that any potash shortage will be due as much to political as to technical or economic factors. Taken together, it is not clear whether or not you anticipate a shortage of potash.

Reference page 5: We disagree with your statement that little new phosphate capacity has been announced since December 1973. In the last nine months producers have announced plans to construct about 2.6 million tons of additional phosphoric acid capacity, a 13 percent increase in the 19 million ton capacity that existed at the end of 1973. Major new phosphoric acid plants include: a 600,000 ton plant at Washington, North Carolina; a 400,000 ton plant at Richards Bay, South Africa; a 330,000 ton plant at Safi, Morocco; a 220,000 ton plant at Yosu, South Korea; and, a 100,000 ton plant at Gabes, Tunisia. The tonnages listed above are in terms of P_2O_5 per annum.

Reference pages 4 and 20: We note apparent lack of agreement between paragraph 8 and the first paragraph on page 20. Citing TVA and World Bank estimates, you indicate that surplus nitrogen capacity of 2.5-4.9 million tons may exist by 1980. However, on page 20 you state that current

estimates indicate a surplus of 200,000 tons by 1980. It does not appear that you have explained adequately the wide variation in these respective estimates.

Reference page 21: There appears to be some internal inconsistency in Table 6. You indicate that developed regions will have a nitrogen surplus of 3 million tons by 1980. However, subtracting the figure given in the table for consumption from the one for supply, we calculate the surplus at 4.4 million tons.

Reference pages 24 and 45: You indicate in Table 8 that the USSR and Eastern Europe will have a nitrogen deficit of 1.6 million tons by 1980. In Table 21 you indicate that the USSR will have a nitrogen surplus of 1.5 million tons by 1980. These figures imply that Eastern Europe will have a nitrogen deficit of 3.1 million tons by 1980. We doubt that this implication is correct. Eastern Europe has been a net exporter of nitrogen for several years. We estimate that Eastern Europe will produce sufficient amounts of nitrogen to meet domestic requirements and to continue exporting substantial amounts through 1980. The major exporters are Romania, Poland and Bulgaria. Romania's exportable surplus is to increase from 650,000 tons in 1975 to 1.1 million tons in 1980. Poland's exportable

surplus is to increase from 200,000 tons in 1975 to 500,000 tons in 1980. No information is available on Bulgaria's plans for export in 1980. It is certain that import demand from Czechoslovakia and Hungary will not completely offset the exportable surplus of Romania, Poland and Bulgaria.

Reference page 45: You estimate that Soviet production of nitrogen fertilizer will amount to 11.3 million tons by 1980, excluding industrial use. Preliminary Soviet plans call for annual output to reach 13 million tons by 1980. You appear to have allocated 13 percent of total planned production to industrial uses. This figure appears high, inasmuch as Soviet data indicate that only 7%-8% went to industrial uses in 1970-72.

Reference page 53: The following sentence is unclear and does not indicate who you believe will become the largest exporter of nitrogen by 1979/80. "Japan may lose its place as the largest nitrogen exporter, probably to the USSR or perhaps the Netherlands, or perhaps Canada could become the largest exporter". We suggest some revision.

Reference page 59: It appears that some element of your method for estimating world fertilizer consumption in 1980 has not been explained. You state that fertilizer consumption can be estimated from the data for major countries

by assuming that their share of total consumption remains unchanged. It appears that you are allocating an undefined total, but you do not explain how the total is derived. Moreover, this method ignores completely any possible dampening effect that sharply increased prices will have on consumption of fertilizer in some countries and assumes that the rate of increase in consumption of fertilizer will be exactly the same year to year for every country.